



ONTARIO  
DEPARTMENT OF TRANSPORT

**AUTOMOBILE INSURANCE  
TECHNICAL COMMITTEE**

*General publications*

REPORT  
TO THE

**HONOURABLE IRWIN HASKETT**  
MINISTER OF TRANSPORT, ONTARIO

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NOVEMBER 1965



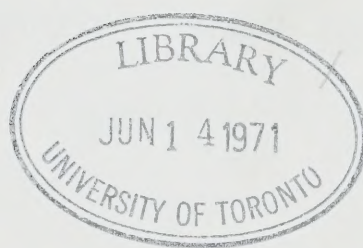
AUTOMOBILE INSURANCE TECHNICAL COMMITTEE

REPORT TO THE

HONOURABLE IRWIN HASKETT, MINISTER OF TRANSPORT, ONTARIO

NOVEMBER 1965





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MEMBERSHIP OF THE AUTOMOBILE INSURANCE TECHNICAL COMMITTEE

**Chairman:** W. M. Earl  
Registrar of Motor Vehicles  
Department of Transport

**Members:** T. H. Bell  
Director, Motor Vehicle Accident Claims Fund  
Department of Transport

R. C. Cooke  
Director, Research Branch  
Department of Transport

E. G. Hachborn  
Solicitor  
Department of the Attorney-General

R. H. Humphries  
Vice-Chairman, Ontario Highway Transport Board  
(Formerly Senior Solicitor, Department of Transport)

C. Richards  
Superintendent of Insurance  
Department of Insurance

**Secretary:** R. C. Cooke





Parliament Buildings,  
Toronto 2, Ontario.

November 22, 1965.

The Hon. Irwin Haskett,  
Minister of Transport,  
Parliament Buildings,  
Toronto 2, Ontario.

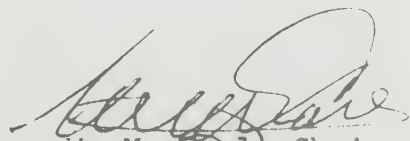
Dear Sir:

I have the honour to submit the report of the Automobile Insurance Technical Committee, set up at your direction in February 1964. The report is divided into two parts: "Summary" and "Main Text".

It is regretted that the Committee could not complete its investigation by November 30, 1964, as requested in your letter of appointment. This was due to circumstances beyond our control.

The Committee is indebted to a number of agencies and persons, both government and private, for assistance received in the course of its work.

It is our hope that the conclusions and recommendations contained in this report will prove of value to you.



W. M. Earl, Chairman  
Automobile Insurance Technical Committee





LETTER OF APPOINTMENT AND TERMS OF REFERENCE

From : Honourable Irwin Haskett  
Minister of Transport, Ontario

To : W. M. Earl  
Registrar of Motor Vehicles

Re : Report of Select Committee on Automobile Insurance

At the request of the Executive Council, I have appointed the following persons as a special technical committee to study further certain aspects of the recommendations of the Select Committee of the Legislature on Automobile Insurance.

T.H. Bell, Director, Motor Vehicle Accident Claims Branch  
R.C. Cooke, Director, Research Branch  
W.M. Earl, Registrar of Motor Vehicles  
R.H. Humphries, Vice-Chairman, Highway Transport Board  
C. Richards, Superintendent of Insurance  
G. Hachborn, Department of the Attorney General

You have been named to act as chairman of the committee and I would therefore request you to notify the other members of their appointment accordingly. I would suggest that you might consider the appointment of Mr R. C. Cooke as secretary.

The terms of reference are as set out hereunder:

To examine, investigate, enquire into, study and report on:

1. the effect on liability automobile insurance premiums if it were made mandatory that such policies contain accident insurance coverage to all injured parties, regardless of fault, to the extent as recommended by the insurance committee; the costs to the Fund of the payment of accident insurance benefits to a like extent and other matters relating to such scheme which might affect the operation of the present Fund.



2. the costs to the Fund of the payment of property damage claims, regardless of the existence of insurance coverage, and the effect such payments might have on existing insurance premiums.
3. the effect on insurance premiums if the Insurance Act were amended to eliminate the defence of inevitable accident as recommended by the Insurance Committee and the costs to the Fund if claims were paid in similar circumstances.
4. the necessity or otherwise for legislation giving the Superintendent of Insurance authority to control automobile insurance premium rates and the costs associated therewith.
5. the necessity or otherwise of implementing by legislation the committee's recommendation pertaining to the Automobile Assigned Risk Plan and if necessary the changes required in the present Statutes.
6. any other matter relating to the above which the Committee consider relevant.

I am anxious that the Committee commence sitting at the very earliest opportunity in order that the work may get under way without delay and so that the final report can be in my hands not later than November 30th, next.

February 7th, 1964

(Sgd) Irwin Haskett  
Minister





### ACKNOWLEDGMENTS

The Committee wishes to express its appreciation of the assistance it has received from the following:

Motor Vehicle Accident Claims Fund  
Alberta Department of Highways

All Canada Insurance Federation

Deputy Minister of Public Utilities, Manitoba

Manitoba Licence Suspension Appeal Board

Ontario Automobile Assigned Risk Plan

Ontario Medical Association

Ontario Workmen's Compensation Board

Physicians' Services Incorporated

Saskatchewan Government Insurance Office





## SUMMARY

### Answers to Questions in the Terms of Reference

The following are the questions stated or implied in the terms of reference, together with our answers. The reasons for these answers are given in the second part of the report.

Question 1(a) What will be the effect on liability automobile insurance premiums if it is made mandatory that such policies contain accident insurance coverage for all injured parties, regardless of fault, to the extent recommended by the Select Committee on Automobile Insurance? (The coverages recommended by the Select Committee are given on pp.17-18 of this report.)

Answer 1(a) We estimate that the effect would be an increase of approximately 20% in 1967 in the premium for the \$35,000 minimum coverage provided under third party liability insurance. This represents an average increase of about \$10 per registered motor vehicle. In the case of private passenger cars, the increase would run from \$8 for the more preferred classes to a maximum of about \$57 for those in certain other categories. The overall average cost figure of \$10 is composed of various sub-estimates, including \$2 per vehicle for the payment of a weekly indemnity. In view of the difficulty of accurately adjusting claims under



Answer 1(a) the latter heading, we believe experience  
(cont'd) might indicate that the estimate of \$2 is too low.

(See main text, p.17)

.....

Question 1(b) What will be the cost to the Motor Vehicle Accident Claims Fund of the payment of accident insurance benefits to a like extent?

Answer 1(b) We estimate that if these benefits had been paid in the fiscal year 1963-64, the cost to the Fund would have been approximately \$1,314,000. This estimate is based on the assumption that no payment would have been made where the mandatory insurance cover was inadequate or did not apply.

(See main text, p.20)

.....

Question 1(c) Are there any other matters relating to the scheme which might affect the operation of the present Fund?

Answer 1(c) In the body of the report, certain problems are raised which we believe should be examined when adoption of the scheme is under consideration.

One of the most important of these relates to the Select Committee's proposal for an increase in the \$20 fee paid in respect of uninsured vehicles. If consideration is given



Answer 1(c) to raising the fee, account should be taken  
(cont'd) of the fact that uninsured motorists are already subsidized by those who carry insurance. If the addition to the \$20 fee were insufficient, the extent of this subsidization would be increased.

(See main text, pp.20-25)

.....

Question 2 What will be the additional cost to the Fund of the payment of claims for insured collision damage, and what effect will such payments have on existing insurance premiums?

Answer 2 We estimate that the cost to the Fund would be approximately \$1.7 million annually. It is impossible to say with any certainty that the payment of such claims by the Fund would result in any saving in insurance premiums.

(See main text, p.25)

.....

Question 3 What would be the effect on insurance premiums if the statutes were amended to eliminate the defence of inevitable accident, and what would be the cost to the Fund if claims were paid in similar circumstances?

Answer 3 The effect in both cases would be negligible.

(See main text, p.26-A)

.....





Question 4      Is there any need for legislation giving the Superintendent of Insurance authority to control automobile insurance premium rates and, if so, what would be the costs associated therewith?

**Answer 4**      We can find no evidence of a need for any additional control of automobile insurance premium rates, over and above that currently exercised by the Superintendent of Insurance. The present informal method of control, aided by keen competition between insurers, is in our opinion effective in preventing excessive rates. Comparison of the rates charged in this Province with those levied in other jurisdictions reveals that Ontario motorists enjoy favourable rates. However, if the present system of control should prove inadequate at some future date, sections 337 to 339 of the Insurance Act could be proclaimed.

(See main text, p.27)

.....

Question 5      Is there any need for legislation to implement the Select Committee's recommendations in regard to the Automobile Assigned Risk Plan?

These recommendations were:

"(a)      That every licensed automobile insurer in Ontario be obliged to participate in the Plan;



Question 5  
(cont'd)

- "(b) that all rules, regulations, rate schedules and surcharges of the Plan be subject to the approval of the Superintendent of Insurance and that where any dispute arises in connection with these matters an appeal may be taken from the decision of the Superintendent to the Court of Appeal;
- (c) that the Plan be required to insure any person whom the Department of Transport is prepared to license as a driver;
- (d) that the Plan have the right to appeal to the Registrar of Motor Vehicles against the necessity of insuring any person and, consequently, against the licensing of such a person;
- (e) that a special appeal board be established to hear appeals from the Plan or from individuals against the decisions of the Registrar."

Answer 5

- "(a)" No legislative action is needed, as an insurance company must participate in the Plan before it can obtain a licence.

(See main text, p.31)

- "(b)" We recommend, first, that the Automobile Statistical Plan prepare a breakdown of the claims resulting from surcharged, as opposed to non-surcharged, risks; second, that with this breakdown at their disposal the Superintendent of Insurance, the Registrar of Motor Vehicles, and such other persons as appear suitable, periodically review the regulations and surcharges with the Governing Committee of the Automobile Assigned Risk Plan, and propose such changes as appear warranted.





Answer 5  
(cont'd)

We do not recommend any further control of Plan rules and rates by the Superintendent, unless the informal method of control suggested above proves insufficient and the control of all automobile insurance rates is found necessary.

(See main text, pp.31-33)

"(c)" The Automobile Assigned Risk Plan is already carrying out the intent of this recommendation, under an informal agreement with the Registrar of Motor Vehicles. Thus, in our opinion there is no need at the present time for further action in regard to Recommendation 5(c). If the arrangement is subsequently found unsatisfactory, the position can be re-examined.

(See main text, p.33)

"(d)" We believe that the method presently in effect, whereby cases in dispute are discussed informally between the Registrar and the Plan, is working satisfactorily and that no legislation is required.

(See main text, p.34)

"(e)" We recommend that the Select Committee's Recommendation (e) be adopted and suggest that the Licence Suspension Appeal Board



Answer 5  
(cont'd)

recently established by the Legislature under **The** Highway Traffic Act would be the proper authority to hear appeals by the Plan.

(See main text, p.34)

.....



MAIN TEXT

We have reached the following conclusions in regard to the matters referred to us for inquiry. These conclusions, and the reasons for them, are presented here in the order in which they appear in the terms of reference.

- 1(a) The effect on liability automobile insurance premiums if it were made mandatory that such policies contain accident insurance coverage to all injured parties, regardless of fault, to the extent recommended by the Insurance Committee.

In March 1963, the Select Committee of the Legislature on Automobile Insurance recommended that the following accident insurance coverages be made an integral and mandatory part of the standard automobile policy sold in Ontario:

" Benefits payable for bodily injury or death,

- (a) to any occupant (driver and passengers) of the described automobile and any pedestrian struck by that automobile;
- (b) to the insured named in the policy and spouse and any dependent relative residing in the same dwelling premises as the named insured when an occupant of or as pedestrian struck by, any other private passenger automobile.

(the reason for the distinction is that in case (a) the owner's policy will be primary, while in case (b) the policy will be excess (subject to highest limit) over another owner's policy.)

#### Subsection 1—Death Benefits

	Principal Sum	Plus for Each Additional Dependent
<b>MARRIED MALE</b>		
18 years to 59 years . . . . .	\$5,000	\$1,000
60 years to 70 . . . . .	3,000	1,000
70 years and over . . . . .	2,000	1,000
<b>MARRIED FEMALE</b>		
18 years to 59 years . . . . .	\$2,500	\$1,000
60 years to 69 years . . . . .	1,500	1,000
70 years and over . . . . .	1,000	1,000

(if deceased is a widower or widow, the appropriate principal sum for first dependent plus \$1,000 for each additional dependent. If deceased is an unmarried person 18 years or over with dependent(s) the appropriate principal sum with \$1,000 for each additional dependent.)

#### CHILD WITH PARENT LIVING

4 years and under . . . . .	\$250
5 to 17 years inclusive . . . . .	500





**Subsection 2—Dismemberment and loss of sight**

Loss of two hands or feet.....	\$5,000
Loss of entire sight of both eyes.....	5,000
Loss of one hand and one foot.....	5,000
Loss of one arm above elbow.....	3,750
Loss of one leg above knee.....	3,750
Loss of one hand or foot.....	2,500
Loss of entire sight of one eye.....	2,500

**Subsection 3—Medical Payments**

Indemnity to the extent of \$2,000 for reasonable expenses incurred for necessary medical, surgical, dental, ambulance, hospital (excess of payments under Ontario Hospital Service Commission payments) and professional nursing.

**Subsection 4—Funeral Expenses**

\$350 for each person.

**Subsection 5—Weekly Benefits**

\$35 per week payable to an employed person when totally disabled from work subject to a limit of 104 weeks.

(If at the expiry of the said 104 weeks such person establishes a total and permanent disability, \$35 per week will be paid for an additional 104 weeks.)

\$25 per week payable to a housewife when totally disabled from work subject to a limit of 12 weeks.

In both cases there would be no payment for the first seven days' disability. " (Final Report, pp.6-7)

The insurance industry had estimated, in their brief to the Select Committee dated November 7, 1962, that if payments made under the above coverages were deducted from any recovery under regular third party liability insurance, the cost of the Plan in 1961 would have been approximately 12.6 per cent of the premium for the \$35,000 minimum coverage provided under third party liability insurance. They stated that in the Toronto area, where the base rate for such coverage was \$62.00, the required increase in premiums would have averaged about \$7.81 for all insured drivers taken together; in individual cases, the cost



would have ranged from \$3.90 to \$19.50, depending on the accident record of the particular driver. In country areas and small towns, where the base rate was \$38.00, the additional premium would have averaged about \$4.78, with some owners paying only \$2.40 while others paid as much as \$12.00.

During discussions with the All Canada Insurance Federation, representatives of the Federation stated that as their 1962 brief was out-of-date, they would appreciate the opportunity of submitting a revised version. The new submission, entitled "Valuation of Proposed Automobile Accident Benefits", was dated November 23, 1964.

After taking account of the latter document, and making our own independent investigation, we estimate that the introduction of accident insurance coverage for all injured parties, regardless of fault, would increase the premium for the \$35,000 minimum coverage provided under third party liability insurance by about 20 per cent in 1967. This is equivalent to an average increase of approximately \$10 per registered motor vehicle. In the case of private passenger cars, the increase would range from \$8 for the more preferred classes to a maximum of about \$57 for those in certain other categories. The derivation of these estimates is explained in Appendix 1.

The above average cost figure of \$10 includes, in addition to administration and other expenses, an estimated \$2 per vehicle for a weekly indemnity. We would emphasize that the adjustment of claims for such an indemnity is a difficult administrative problem and that without close and continuous supervision, the amount paid





out for this item could substantially exceed the figure of \$2 which we have assumed. In that event, the overall average premium increase of \$10 would be correspondingly raised.

1(b) The costs to the Fund of the payment of accident insurance benefits to a like extent.

The Select Committee recommended:

"(a) incorporate into the Fund, benefits and provisions similar to those outlined, to cover situations where vehicles are not insured;" (Final Report, p.8, Rec.3)

If these benefits had been paid in the fiscal year 1963-64, the cost to the Fund would in our opinion have approximated \$1,314,000 (See Appendix 2.)

Implicit in this figure is the degree of efficiency with which the enforcement agencies checked motorists in 1963-64, for the purpose of ensuring that they either carried insurance or had paid the \$20 fee. It follows that any reduction in the intensity of enforcement in subsequent years would raise the cost to the Fund above the level which the foregoing estimate would tend to indicate.

1(c) Other matters relating to such scheme which might affect the operation of the present Fund.

Under this head, there are three items on which we wish to make observations.

(1) Payments to Uninsured Motorists or their Dependents

In this connection, the Select Committee proposed that the Motor Vehicle Accident Claims Fund be changed to:

"provide that the uninsured owner who is at fault, or his survivors, as the case may be, and any gratuitous passengers in his car, can collect the foregoing benefits and that there be no repayment to the Fund for such payments;" (Final Report, p.8, Rec.3-b)



The Fund is for the sole benefit of persons who suffer financial loss through bodily injury and property damage (in the case of hit and run accidents, bodily injury only) resulting from the operation of an uninsured motor vehicle, whose driver was at fault.

Because the uninsured motorist does not carry insurance, the Fund pays on his behalf. He is, however, required to reimburse the Fund and his driving privileges are withdrawn until he makes acceptable arrangements for repayment.

Insofar as Recommendation 3-b provides for the payment of benefits to the uninsured motorist, and relieves him of the responsibility for repayment, its implementation would change the Fund, at least in part, into an insurance scheme.

It will be noted that the recommendation applies only to the uninsured owner who is at fault. This raises several questions.

In the first place, from what source would the uninsured motorist who was not at fault obtain compensation, when he suffered bodily injury or property damage caused by another uninsured vehicle?

Secondly, the question of "fault" could be decided only by the courts, so that uninsured motorists would presumably have to undertake legal proceedings, which would in some instances be lengthy and expensive. The cost of these proceedings would be a drain on the Fund.

Finally, inclusion of the phrase "who is at fault" in Recommendation 3-b seems in conflict with the basic intent of the Select



Committee's recommendations. We believe that, if legislative action is contemplated, the Committee's proposals should be modified to provide for payment to the uninsured owner and/or driver and his gratuitous passengers regardless of fault, subject to monies obtained from any other source being paid over to the Fund.

The Select Committee apparently foresaw that the effect of implementing Recommendation 3-b would be to provide Government insurance to motorists who chose not to insure themselves, at the expense of those who took a more responsible view. Accordingly, it proposed:

"increase the fee of \$20 charged on behalf of the Fund against any uninsured vehicle to a level which will cover the Fund's costs in providing the accident benefits." (Final Report, p.8, Rec.3-d)

The contributions to the Fund by uninsured motorists are not sufficient to cover payments out of the Fund. These drivers are therefore being subsidized by the remainder of the motoring public. Provided the increase in the \$20 fee now paid by the uninsured motorist were sufficient, there would be no adverse financial effect on the Fund. If, however, it were insufficient, the deficiency would have to be made up from the contributions of insured owners and drivers.

In certain instances, payment would be made where no fee had been paid into the Fund: for example, where a motorist's insurance had lapsed or he had obtained an insurance certificate by fraud; and in cases involving stolen automobiles, or the owners





of vehicles from outside the Province which were either inadequately insured or not insured at all.

Recommendation 3-b is modified by Recommendation 4 which reads:

"That a motorist who is driving while unlicensed or intoxicated or in the act of violating the Criminal Code should be denied compensation for injuries sustained in an accident but that his family should receive death benefits if he is killed." (ibid.,p.8)

It has been contended that the exception in Recommendation 4 is too narrow. To illustrate the point, the case of several youths who steal a car and later become involved in an accident, may be taken. Assuming the driver can be identified, and this is frequently difficult, it is he who, on conviction, will be denied access to the Fund; on the other hand, his companions, who from the moral viewpoint may be equally guilty, will be eligible to receive accident benefits, possibly at the expense of insured motorists. The question arises whether this discrepancy in treatment is just. And it is true that in many jurisdictions an uninsured motorist is not entitled to benefits from the Claims Fund, even when he is the innocent victim of driving errors made by another uninsured motorist.

On the other hand, efficient administration of a motor vehicle accident claims fund, including the payment of accident benefits (if such are in effect), requires unambiguous criteria for decisions; the only sound criteria available are convictions for legal offences. It is difficult to see how moral guilt,



which may vary greatly in degree and is not punishable in law, could be used as the basis for administrative action.

(11) Workmen's compensation

With reference to accident benefits, the Select Committee recommended:

"That coverages along the foregoing lines should also be made to apply to insurance on trucks except, of course, where the provisions of the Workmen's Compensation Act are applicable." (Final Report, p.9, Rec.5)

It is our belief that no person receiving payment from the Workmen's Compensation Fund should receive benefits under the proposed accident benefits scheme.

(111) Uniform basis for Fund and insurance company payments

The Select Committee recommended that accident benefits be made an integral and mandatory part of the standard automobile policy. (Final Report, p.8, Rec.1)

The estimated cost to the Fund, if the proposed benefits had been payable in the fiscal year 1963-64 (see Item 1-b on p.20, and Appendix 2) presupposes that such payments would have been restricted to those who suffered loss from the operation of uninsured or unidentified (hit-and-run) motor vehicles.

The proposed mandatory accident insurance cover should be free of any exclusions or limitations that could result in payment from the Fund of benefits not provided by the insurance policy.

The Fund should pay only when there is no insurance policy and not because the insurance cover is inadequate or does not apply. Otherwise, payments from the Fund will exceed the figure of



\$1,314,000 calculated in Appendix 2. The extent of the additional cost would be exceedingly difficult to estimate.

2. The costs to the Fund of the payment of property damage claims, regardless of the existence of insurance coverage, and the effect such payments might have on existing insurance premiums.  
(In other words: Cost to the Fund of the payment of claims for damage to motor vehicles caused by uninsured drivers when such damage is covered by collision insurance.)

In its Second Interim Report, the Select Committee recommended:

"that the Fund pay property damage claims despite the existence of collision coverage on the claimant's vehicle;"  
(p.7, Rec.2-h)

It repeated this recommendation in its Final Report, adding:

"The Committee believes it only fair that a motorist who is involved in any accident with an uninsured vehicle should not have to pay property damage out of his own collision insurance since this has the effect of increasing his collision premium in future years." (p.10)

Under the above proposal, all claims for damage to insured motor vehicles caused by uninsured motor vehicles would be paid by the Fund in full, provided the drivers of these uninsured vehicles had been found at fault. At present, where such claims are paid - or payable - by an insurance company, they are not recoverable from the Fund.

#### (1) Cost to the Fund

We estimate that the proposed payment of claims covered by collision insurance, plus a 14 per cent allowance for adjustment expenses, would cost the Fund an additional amount of





about \$1.7 million annually. The manner in which this estimate was made is shown in Appendix 3.

(11) Effect on Premiums

If the amount stated above had been paid by the Fund, an equal or nearly equal saving would have been made by the insurance companies. The total value of collision claims paid by the latter in 1964 was approximately \$35 million. The saving to the companies would thus have been about 5 per cent. The average reduction which, as a result, could have been made in the premiums paid by motorists in general would not have exceeded \$1.50. However, for the following reasons, it is very difficult to determine how great a reduction, if any, there would have been in the insurance premiums paid by individuals.

At present, if an insured person is entirely free of blame - for example, his car was legally parked, or was stationary in a traffic lane, when struck by a vehicle driven by an uninsured motorist - most companies do not increase his premium on renewal. In such instances, the insured would receive no benefit from the fact that his insurance company was reimbursed from the Fund.

In many other cases, the insured is partly to blame, and his renewal premium would be increased in any event, irrespective of whether his company recovered money from the Fund.



3. The effect on insurance premiums if the Insurance Act were amended to eliminate the defence of inevitable accident as recommended by the Insurance Committee and the costs to the Fund if claims were paid in similar circumstances.

In this connection, the Select Committee stated:

"The Committee feels that justice will be better served if the defence of inevitable accident is eliminated and recommends that appropriate legislative steps be taken to do so." (Final Report, p.11)

Inevitable accident is a defence that may be raised by a person against whom a claim for damages has been made alleging negligence. The defence, if successful, absolves such person from any legal liability to pay the claim. To succeed, the defendant must prove that although the accident may have



been caused by some mechanical defect in the vehicle or physical defect of the driver, this cause could not have been foreseen or avoided by the driver.

It is our opinion that, in view of the insignificant number of successfully proven cases of inevitable accident, its abolition would have no effect whatever on the cost of insurance premiums, nor any appreciable influence on the total amount paid out of the Claims Fund. We would emphasize that this expression of opinion relates only to effects on insurance premiums and Claims Fund costs and is not to be interpreted as recommending abolition of the defence of inevitable accident.

4. The necessity or otherwise for legislation giving the Superintendent of Insurance authority to control automobile insurance premium rates and the costs associated therewith.

In December 1961, the Select Committee made the following recommendation:

"The Committee feels that the Legislature owes a duty to the public to provide a form of machinery which will guarantee that insurance rates are maintained at a reasonable level. Thus, the Committee recommends that the Superintendent of Insurance be given full power to investigate and to order adjustments where he believes rates to be excessive, inadequate, unfairly discriminatory or otherwise unreasonable, subject to an appeal against his order to the Court of Appeal." (Second Interim Report, p.8, Rec.4)

In March 1963, it stated:

"The Committee repeats this recommendation at this time because it feels that such powers would provide a necessary protection to the people of Ontario."  
(Final Report, p.10)



We believe that the existence of sections 337, 338 and 339 of the Insurance Act, not yet proclaimed, is a substantial deterrent to any unjustified increase in automobile insurance rates. Furthermore, keen competition between the insurance companies is undoubtedly a strong force in preventing excessive premium rates.

Each year, any proposed changes in automobile premium rates are discussed with the Superintendent of Insurance. Suggested changes are justified by reference to the most recent compilation of automobile premiums and losses in Ontario for all companies, the so-called Green Book. This statistical record is compiled in a form and manner approved by the Superintendent and is required under section 75 of the Insurance Act.

In effect, the insurance companies ask for the Superintendent's unofficial approval of their proposed rate revisions. They would be reluctant, in the face of the Superintendent's objections, to enact rates higher than could be justified by the statistical record. Such rate changes have not been proposed in the past.

The following comparison of annual premiums charged in 1965 in Metropolitan Toronto and ten American cities shows that, even allowing for the recent increases, Ontario motorists enjoy a favourable rate.





AUTOMOBILE LIABILITY INSURANCE PREMIUM RATES, 1965

<u>Coverage</u>	<u>Classification</u>
\$35,000 inclusive limits	3-year accident-free record
	No drivers under 25 years of age
	Pleasure use only

<u>City</u>	<u>Annual Premium (1965)</u>
	\$
Metro Toronto	55
Detroit	73
Minneapolis	75
Cleveland	85
Los Angeles	94
Chicago	106
Philadelphia	113
San Francisco	119
St. Louis	130
New York City	156
Boston	205

It is our opinion that the present informal method of controlling rates, applied by the Superintendent of Insurance, is working satisfactorily and should be continued. However, were it to prove inadequate at some future date, sections 337-339 of the Insurance Act could be proclaimed.

The detailed filing, scrutiny and approval of automobile premium rates would require a substantial increase in staff, which we believe is both unnecessary and undesirable at the present time. Consequently, no study has been made of the possible costs involved.



5. The necessity or otherwise of implementing by legislation the Committee's recommendation pertaining to the Automobile Assigned Risk Plan and if necessary the changes required in the present statutes.

This subject is dealt with in the Select Committee's Second Interim Report under Recommendation 5, which contains inter alia the following:

- "(a) that every licensed automobile insurer in Ontario be obliged to participate in the Plan;
- (b) that all rules, regulations, rate schedules and surcharges of the Plan be subject to the approval of the Superintendent of Insurance and that where any dispute arises in connection with these matters an appeal may be taken from the decision of the Superintendent to the Court of Appeal;
- (c) that the Plan be required to insure any person whom the Department of Transport is prepared to license as a driver;
- (d) that the Plan have the right to appeal to the Registrar of Motor Vehicles against the necessity of insuring any person and, consequently, against the licensing of such a person;
- (e) that a special appeal board be established to hear appeals from the Plan or from individuals against the decisions of the Registrar.

The Committee also urges the participants in the Assigned Risk Plan to give serious consideration to permitting the instalment payment of premiums by assigned risk insureds. The Committee does not feel that legislation or regulations should be enacted to enforce something which is really a matter of internal housekeeping, but the members think it wise to point out that the requirement of most companies that assigned risk insureds should pay the full premium in advance does work hardship on some individuals." (pp.8-9)



The Select Committee's last suggestion, that arrangements be made for the payment of premiums by instalments, was adopted some time ago by members of the Automobile Assigned Risk Plan.

Recommendations 5(a) to (e) are re-stated below, together with our conclusions.

"(a) that every licensed automobile insurer in Ontario be obliged to participate in the Plan;"

It appears that no legislative action is needed here. As a condition of obtaining a licence to write automobile insurance, every company is required to participate in the Automobile Assigned Risk Plan.

"(b) that all rules, regulations, rate schedules and surcharges of the Plan be subject to the approval of the Superintendent of Insurance and that where any dispute arises in connection with these matters an appeal may be taken from the decision of the Superintendent to the Court of Appeal;"

We decided that for a thorough investigation of this proposal more precise information was needed on the numbers of surcharges of various magnitudes (e.g. 100 per cent, 200 per cent) and on the relationship between driving records and surcharges.

Accordingly, arrangements were made for the Research Branch of the Department of Transport to take a random sample of passenger car policy assignments from the files of the Automobile Assigned Risk Plan. The sample was taken in November 1964, from the approximately 43,000 such assignments in effect during the twelve-month period October 1, 1963 to September 30, 1964. The results of the subsequent analysis, given in Appendix 4, may





be summarized as follows.

Risks were found to be classified under either Plan A or Plan B. There was no surcharge for Plan A (Risk Without Record) policies, which formed 17 per cent of the total. Plan B (Risk With Record) policies were divided into two groups:

(1) Risk with minor record, where no surcharge was made, 42 per cent of the total, and (2) more serious risks, with surcharge, 41 per cent of the total. The last figure indicates that rather less than half the total number of policies carry a surcharge.

Of the approximately 18,000 Plan B policies for which a surcharge was made, just over three-quarters (77 per cent) carried a surcharge ranging from 10 to 100 per cent of the basic premium. For a further 18 per cent, the additional payment varied from 110 to 200 per cent. The balance of 5 per cent paid a surcharge in excess of 200 per cent.

Claims under the Automobile Assigned Risk Plan for the past three years have been approximately 80 per cent of premiums. This indicates that for the Plan as a whole, the rates charged have not been more than sufficient to cover the cost of claims and the expenses of writing the business. The insurance industry should not write these more hazardous risks at a loss, because such loss would have to be added to the rates levied against other insured persons. Any reduction in surcharges would have to be offset by increases in other surcharges, or by surcharging some or all of those risks which are now being written without surcharge.



At present, there is no statistical breakdown of claims resulting from the surcharged risks, as compared with those which are not surcharged. We therefore recommend that the Automobile Statistical Plan prepare such a breakdown, to aid in determining whether any changes in the present basis of surcharges are justified by experience with these risks.

We further recommend that with this information available the Superintendent of Insurance, the Registrar of Motor Vehicles, and such other persons as may be considered appropriate, periodically review the regulations and surcharges of the Plan with the Governing Committee of the Automobile Assigned Risk Plan, and propose such changes as appear justified.

We do not recommend any additional control of the rules and rates of the Plan by the Superintendent, unless it becomes apparent that the proposed informal method of control is inadequate and that the control of all automobile insurance rates is necessary.

"(c) that the Plan be required to insure  
any person whom the Department of  
Transport is prepared to license as  
a driver;"

In our view, there is at this moment no need for further action in regard to Recommendation 5(c). When representatives of the All Canada Insurance Federation appeared before the Select Committee, they gave an undertaking that they would comply with the intent of this recommendation. They have since done so by informal agreement with the Registrar of Motor



Vehicles. Should this arrangement prove unsatisfactory at a later date, the position can be reconsidered.

"(d) that the Plan have the right to appeal to the Registrar of Motor Vehicles against the necessity of insuring any person and, consequently, against the licensing of such a person;"

A similar informal arrangement exists in these circumstances. When the Plan receives an application to assign a risk for a driver who, having regard to his driving record, is in the opinion of the Governing Committee not entitled to insurance, the case is referred to the Registrar of Motor Vehicles for reconsideration of his privilege to drive.

The Governing Committee reports that to date all cases have been amicably settled, either by assignment of the risk or suspension of the driver.

"(e) that a special appeal board be established to hear appeals from the Plan or from individuals against the decisions of the Registrar." (Select Committee, Second Interim Report, p.9)

We are of the opinion that as the insurance industry has agreed to grant insurance to every person who holds a driver's licence, the Plan should have the right to appeal against decisions of the Registrar. The Highway Traffic Amendment Act, 1965 provides for the establishment of a Licence Suspension Appeal Board in Ontario to hear appeals from drivers suspended by the Registrar of Motor Vehicles.

We recommend that the Governing Committee of the Automobile Assigned Risk Plan be given the right to appeal the decisions of the Registrar to such board. A similar system is presently in effect in Manitoba and is working satisfactorily.



ACCIDENT INSURANCE BENEFITS  
ESTIMATED COST TO THE ONTARIO MOTORIST

To provide an estimate of annual cost which will remain valid for at least two years from the date of this report, the basic premium has been projected in the light of the automobile accident frequencies, and the numbers of persons killed and injured, to be expected in Ontario in 1967. To preserve a correct relationship between the numbers of accidents and vehicles, an estimate has been made of total motor vehicle registrations in the Province in 1967.

TABLE 1

PERSONS KILLED AND INJURED IN AUTOMOBILE ACCIDENTS  
 ONTARIO, 1959-1967

ABSOLUTE NUMBERS & RELATED INDEX NUMBERS (ACTUAL & ESTIMATED)

Year	<u>Persons Killed</u>		<u>Persons Injured</u>		<u>T o t a l</u>	
	<u>Absolute No.</u>	<u>Index No. (1961=100)</u>	<u>Absolute No.</u>	<u>Index No. (1961=100)</u>	<u>Absolute No.</u>	<u>Index No. (1961=100)</u>
<u>A c t u a l</u>						
1959	1,187	94	31,602	85	32,789	85
1960	1,166	92	34,436	93	35,602	93
1961	1,268	100	37,146	100	38,414	100
1962	1,383	109	41,766	112	43,149	112
1963	1,421	112	47,801	129	49,222	128
1964	<u>1,424</u>	112	<u>54,560</u>	147	<u>55,984</u>	146
Total	<u>7,849</u>		<u>247,311</u>		<u>255,160</u>	
	(3.1 %)		(96.9%)		(100.0%)	
<u>E s t i m a t e d</u>						
1965	1,515	119	57,169	154	58,684	153
1966	1,574	124	61,726	166	63,300	165
1967	<u>1,623</u>	128	<u>66,283</u>	178	<u>67,906</u>	177
Total	<u>4,712</u>		<u>185,178</u>		<u>189,890</u>	
	(2.5 %)		(97.5%)		(100.0%)	





## Appendix 1(2)

TABLE 2

PERSONS KILLED AND INJURED IN AUTOMOBILE ACCIDENTS  
 ONTARIO, 1959-1967  
 RATES PER THOUSAND MOTOR VEHICLES AND RELATED INDEX NUMBERS  
 (ACTUAL & ESTIMATED)

<u>Year</u>	Motor Vehicles Registered *		Persons Killed	Persons Injured		Persons Killed and Injured
	Absolute No.	Index No. (1961=100)	Rate Per 1000 Motor Vehicles	Rate Per 1000 Motor Vehicles	Index No. (1961=100)	Rate Per 1000 Motor Vehicles
			<u>A c t u a l</u>			
1959	1,973,737	93	.60	16.0	91	16.6
1960	2,062,484	97	.57	16.7	95	17.3
1961	2,126,270	100	.60	17.5	100	18.1
1962	2,177,148	102	.64	19.2	110	19.8
1963	2,268,320	107	.63	21.1	121	21.7
1964	2,381,219	112	.60	22.9	131	23.5
			<u>E s t i m a t e d</u>			
1965	2,435,441	115	.62	23.5	134	24.1
1966	2,512,749	118	.63	24.6	141	25.2
1967	2,590,057	122	.63	25.6	146	26.2

\*In licence year



## Appendix 1(3)

When studying the Saskatchewan Plan, we found it necessary to confine ourselves to the years 1959 to 1963. During these years, the accident provisions were uniform, and the statistical data available are relatively dependable and do not require adjustment to show present-day conditions. The only major changes in the Saskatchewan Plan during the years indicated were an increase in the maximum for medical payments from \$1,000 to \$2,000 in 1960, and the introduction of Medicare in 1962. Although Medicare came into effect on July 1, 1962, the S.G.I.O. continued to pay medical expenses in connection with automobile accidents until December 1962.

In some cases, we could not obtain all the required data. For instance, the S.G.I.O., under the Automobile Accident Indemnity Act, charges only one premium for all automobile insurance coverages and the only separation made is in recording claims. Consequently, it is impossible to develop loss ratios for any one coverage, such as third party liability or accident benefits.

Our conclusions are based on motor vehicle accident figures as reported by the provincial departments responsible in Saskatchewan and Ontario. These figures include all accidents occurring within a province, regardless of the domicile of the vehicles involved. Similarly, residents of a province may be involved in accidents outside the province, which would not be reported. There is some flexibility, therefore, in the number of accidents involving residents. The statistics



## Appendix 1(4)

available are used on the reasonable assumption that for every accident involving a non-resident in a province, a somewhat similar accident involved a resident outside the province. On the basis of present-day reporting and with the data available, no better solution is possible. It must be realized, however, that our estimates are no more than estimates and do not purport to present the actual facts which govern payments under the Accident Benefit Plan.

Valuation - Basic Considerations

Our investigations led us to the conclusion that, in regard to the data available on motor vehicle accidents, a sufficiently valid comparison could be made between Ontario and Saskatchewan. It should be borne in mind, however, that the density of traffic in Ontario is several times that of Saskatchewan: a rough indication of this is to be found in the fact that the ratio of annual vehicle miles travelled to surfaced highway mileage is approximately four times greater in Ontario. It seems reasonable to expect that Ontario's greater traffic density will result in higher accident rates per vehicle.

Since the frequency of accidents resulting in fatal or non-fatal injuries, or both, as well as the number of persons killed or injured in these accidents, would affect the number of claims received, a comparison of the corresponding rates between Ontario and Saskatchewan is provided in Table 3.





## Appendix 1(5)

TABLE 3

NUMBER OF (A) FATAL AND PERSONAL INJURY ACCIDENTS, AND  
(B) PERSONS KILLED AND INJURED, PER 100 MOTOR VEHICLES  
REGISTERED, IN ONTARIO AND SASKATCHEWAN, 1959-1963

<u>Year</u>	<u>Fatal and P. I. Accident Rate</u>			<u>Persons Killed &amp; Injured Rate</u>		
	<u>Sask.</u>	<u>Ont.</u>	<u>Ont. as % of Sask.</u>	<u>Sask.</u>	<u>Ont.</u>	<u>Ont. as % of Sask.</u>
1959	.89	1.14	128	1.43	1.66	116
1960	.95	1.20	126	1.51	1.73	115
1961	.98	1.26	129	1.54	1.81	118
1962	1.03	1.37	133	1.68	1.98	118
1963	1.03	1.50	146	1.59	2.17	136

It will be noted that both rates were appreciably higher in Ontario than in Saskatchewan.

In Saskatchewan, which has a greater proportion of rural, self-employed residents, the period of disability may tend to be longer than it otherwise would be, because even partial disability is paid for. Offsetting this, however, is the insistence of the S.G.I.O. on very frequent doctors' reports. The average payment per disability claimant over the last two years is \$203, which is about equal to the cost of eight weeks' disability. General insurance company records show the same average duration of disability for accident policies with a seven-day waiting period. One company, after studying over a four-year period an automobile group accident policy covering 40,000 people, found the mean disability period to be eight weeks and one day.



## Appendix 1(6)

The 1962 report submitted to the Select Committee by All Canada Insurance Federation took seven weeks as the basis for estimating weekly indemnity payments. Considering the difference in the weekly scale of benefits - Ontario \$35.00, Saskatchewan \$25.00 - for all but housewives, who are treated identically, a ratio of 1.40:1 between the two provinces seems reasonable.

Data published by the Dominion Bureau of Statistics show that the age distribution of the population, and the number of dependants, are similar in the two provinces. The same is true of employment, although the percentage of employed females is lower in Saskatchewan. Offsetting the latter is the relatively higher number of housewives in Saskatchewan.

These figures substantiate the factor of 1.40 which has been used in our computations.

The number of people receiving weekly indemnity is almost constantly 25 per cent of those receiving medical benefits.

Death benefits, as actually paid in Saskatchewan and proposed in Ontario, are proportionately the same, so that no differential factor has been used.

Funeral benefits can be calculated on the basis of the number of fatalities and do not require any comparison with Saskatchewan. Dismemberment benefits are taken as 5% of death benefits.

Medical charges have been given very close study, as they are a major factor in any accident valuation and are hardest to determine from the records available. The Statistical Agency



## Appendix 1(7)

has a record of the medical payments covered in the automobile insurance policy. In Ontario, the average cost per claim varied from \$236 in 1959 to \$264 in 1963. It is safe to assume, however, that this average cost per claim is calculated on the number of accidents. As there is often more than one person hurt in an accident, the average cost per claim and the average cost per injured person would be at variance, the former being substantially higher than the latter. The Saskatchewan experience, which does not include hospital expenses, but includes physicians' services, special nurses, private room charges, dentistry, therapy, ambulance and some rehabilitation, shows an average cost of \$115 in 1961 for each person receiving medical treatment. This year, 1961, is the latest for which such a figure, free from distortion by the Medicare Plan, is available. Unfortunately, no adequate records are available in Saskatchewan showing the medical cost for years prior to 1961.

In view of the gradual but steady increase in medical charges generally, \$115 would be too low a figure for use in the 1967 valuation.

We sought evidence as to whether this \$115 was true of Ontario in 1961, but with one exception the files of the insurance companies did not contain the required information. The company in question, which wrote a substantial volume of business in that year, was able to produce records showing an average medical payment of \$124 per claim.

Projecting the cost of medical payments to 1967 shows an





## Appendix 1(8)

increase of approximately 20 per cent over the period 1960-1967. It is true that, underlying this 20 per cent increase, there is the assumption of a continuing rise in costs, but past experience indicates that the assumption is reasonable.

In order to discover the general level of benefit payments in Saskatchewan during the years 1958 to 1963, the following table has been constructed with the aid of information given in the S.G.I.O. revenue and statistical statements.

TABLE 4

CALCULATION OF AVERAGE COST OF ACCIDENT CLAIM BENEFITS  
IN SASKATCHEWAN, 1958-1963

<u>Year</u>	<u>Amount</u>	<u>No. of Accidents</u>	<u>Average Cost Per Accident</u>	<u>Persons Killed &amp; Injured</u>	<u>Average Cost Per Victim</u>	<u>% Killed</u>
1958	\$ 938,437	2,732	\$343	4,248	\$221	3.2
1959	1,108,285	2,895	383	4,665	238	3.6
1960	1,224,231	3,170	386	5,052	242	3.3
1961	1,223,884	3,426	357	5,398	227	3.2
1962	1,271,610	3,830	332) * 349)	6,236	204) **229)	3.2
1963	1,070,043	3,948	271) * 374)	6,252	171) **231)	3.2

\*The Medicare Plan came into force on July 1, 1962, but the S.G.I.O. paid all claims on motor vehicle accidents until some time in December 1962. The 1961 medical benefits amounted to \$115 per case. This is the only year for which the medical benefits are separated from the remaining benefits. Whatever the medical cost for previous years, it has been included in the average cost in the same way as the \$115 for 1961. In the detailed 1962 statement, the amount per medical case is shown as \$98. Deducting

(Footnotes continued at bottom of next page)





## Appendix 1(9)

Estimation of Cost of Benefits under  
Proposed Ontario Accident Plan

This evaluation has been made on the basis of the accidents, injuries and fatalities to be expected in 1967, together with estimated average values for the same year. The results are shown in the table below.

TABLE 5

CALCULATED COST OF BENEFITS ON THE BASIS OF DATA  
PROJECTED TO THE 1967 LEVEL OF ACCIDENTS

<u>Benefit</u>	<u>No. of Claims</u>	<u>Total Amount</u>	<u>Average Amount</u>	<u>Cost of Benefits Per Motor Vehicle #</u>
Death	1,661	\$ 5,326,827	\$3,207	\$ 2.02
Funeral	1,661	581,350	350	.22
Weekly Indemnity	17,866	5,274,000	295	2.00
Medical	71,463	9,861,894	138*	3.74
Dismember- ment	5% of Death	266,341		.10
		<u>Total</u>		<u>\$ 8.08</u>
		\$21,310,412		

# Estimated number of motor vehicles in 1967 is 2,590,057

\* Estimate based on an assumed 20% increase in medical charges between 1961 and 1967.

\* (cont'd)

this amount from, and adding \$115 to, the figure of \$332, yields an average of \$349 per accident for that year. No detailed figures for 1963 are available. However, the S.G.I.O. management estimates that they are still paying about 10% of the total medical claim previously paid. This reduces the \$115 by \$12, leaving \$103 to be added to the 1963 average cost, which then becomes \$374.

\*\* Calculated in the same manner as the average cost per accident described in the preceding footnote.



## Appendix 1(10)

To the \$8.08 which it is believed would be the cost of benefits per motor vehicle at the end of 1967 must be added various charges, such as administration and acquisition costs.

Taking all relevant factors into account, it is estimated that the net cost of providing accident plan benefits to residents of Ontario, in accordance with the scale recommended by the Select Committee (see pp.17-18 above), would increase the premium for the \$35,000 minimum coverage provided under third party liability insurance by an average of approximately \$10 (or 20 per cent) per registered motor vehicle in 1967. It is further estimated, on the basis of the rates charged by many automobile insurance companies in 1965, that in the case of private passenger cars the increase would range from \$8 for owners regarded as sound risks, to a maximum of about \$57 for those in certain other, less preferred classes.



## Appendix 2(1)

ACCIDENT INSURANCE BENEFITS  
ESTIMATED COST TO THE MOTOR VEHICLE  
ACCIDENT CLAIMS FUND IN 1963-4

In calculating the cost to the Fund, two main steps are involved:

Step 1: Estimating the total number of uninsured motor vehicles in Ontario in 1963-4, including those for which the \$20 fee was paid and those for which, as far as is known, it was not paid;

Step 2: Multiplying this number by the estimated average cost per motor vehicle of the payment of accident benefits in 1963-4, and adding an amount for adjustment expenses.

Step 1:

From the records of the Fund, the following items of information are available, in regard to the year 1963-4:

Uninsured motor vehicles for	<u>Number</u>
which \$20 fee was paid..... =	73,532
Claims paid by Fund..... =	<u>2,341</u>

Analysis of the 2,341 payments indicated that it contained the following types of claim relating to uninsured vehicles for which, as far as can be ascertained, the Fund had not received the \$20 fee:

Hit and run vehicles (actual)..... =	73
Residents involved in accidents with negligent drivers from other jurisdictions who were not insured (actual). =	<u>21</u>
	94
Stolen vehicles and vehicles without insurance coverage (estimated)..... =	<u>1,035(*)</u>
Total	<u><u>1,129</u></u>

(\*) See Footnote 1 on Appendix 2(3)





## Appendix 2(2)

The 1,129 payments stated above form the following proportion of the total number of Fund payments in 1963-4:

$$\frac{1,129}{2,341} \times 100\% = 48\%$$

The remaining 52% of Fund payments during the year in question corresponds to the 73,532 motor vehicles for which the \$20 fee is known to have been paid. Hence, it is possible to estimate the total number of uninsured motor vehicles in Ontario in 1963-4, comprising both those for which the \$20 fee was paid and those for which, as far as is known, it was not paid. The calculation is as follows:

If the total number referred to is designated as "X", then

$$\frac{52}{100} X = 73,532$$

$$\text{and} \quad X = 141,408$$

Step 2:

Using the average cost per motor vehicle of \$8.08<sup>(\*)</sup>, and making a suitable allowance for adjustment expenses, the cost to the Fund of its participation in the Accident Plan during the fiscal year 1963-4 can be estimated:

141,408 x \$8.08 = \$	1,142,577
<u>Plus</u> adjustment expenses (15%) =	171,387
	<hr/>
Total Cost	\$ 1,313,964
	<hr/> <hr/>

(\*) See Footnote 2 on next page



## Appendix 2(3)

Footnote 1: The figure of 1,035 was estimated as follows. Analysis of a sample of 312 payments showed that 138 (or 44.2%) related to accidents involving stolen vehicles or vehicles without insurance coverage. (Note: None of these 138 payments is of the kind included in the sub-total of 94 given in Appendix 2-1.)

Applying this proportion of 44.2% to the total number of claims (2,341) paid during the fiscal year, gives the following result:

$$\frac{44.2}{100} \times 2,341 = 1,035$$

Footnote 2: The derivation of the average cost figure of \$8.08 is explained in Appendix 1.



## Appendix 3(1)

PROPERTY DAMAGE CLAIMSESTIMATED ADDITIONAL COST TO THE MOTOR VEHICLE ACCIDENT CLAIMS  
FUND IF INSURED COLLISION DAMAGE CLAIMS HAD BEEN PAID IN 1964

It was difficult to estimate the extra cost to the Fund, if insured collision damage claims had been paid in 1964, because certain basic data were unobtainable from any source. However, the estimate provided herewith has been cross-checked in several different ways, under the scrutiny of the Committee, following discussion with persons having expert knowledge of this branch of insurance. It is believed to provide an approximate indication of the additional cost in question.

- 1) Average collision claim by motor vehicle owners in 1961..... \$324.31<sup>(\*)</sup>
- 2) Assuming a 10% rise in costs (1964/1961), the average collision claim for 1964 would be:  
     110% of \$324.31..... \$356.74
- 3) Number of accidents in 1964, involving an insured and an uninsured motor vehicle, which resulted in collision damage..... 6,914<sup>(\*\*)</sup>
- 4) It is estimated that in approximately 66% of the above accidents, the uninsured drivers were wholly or partly at fault (#)
- 5) Hence, on the assumptions of one claim per accident and that only claims by insured against uninsured are of interest, the estimated number of collision claims which would have been paid by the Fund in 1964, if the proposed scheme had been in effect at that time  
     = 66% of 6,914..... 4,563

(\*) See Footnote 1, pp.49-50

(\*\*) See Footnote 2, pp.51-53

(#) See Footnote 3, p.53



## Appendix 3(2)

6) Combining 2) and 5) gives the total value of 1964 claims	= 4,563 x \$356.74.....	\$1,627,805
7) <u>Add</u> adjustment expenses (14%) .....		<u>227,893</u>
	Sub-Total	\$1,855,698
8) Addition for passenger cars with all perils insurance (+).....		<u>109,600</u>
	Sub-Total	\$1,965,298
9) <u>Less</u> property damage payments, not covered by insurance, by Motor Vehicle Accident Claims Fund in 1964.....		<u>283,471</u>
	Total	<u>\$1,681,827</u>
(+ ) See Footnote 4, pp.53-54		

- - - - -

Footnote 1:

Table 1: Collision Claims by Owners of Private Passenger Cars (\*) in 1961

Class	Number of Claims	Average Claim	Total Amount Claimed
\$ 25 deductible	5,974	\$183	\$ 1,094,624
\$ 50 deductible	16,870	250	4,212,067
\$100 deductible	36,620	318	11,650,215
\$250 deductible	1,364	454	619,326
Total	60,828	\$289	\$17,576,232

(\*) Excluding farmers' private passenger cars.





## Appendix 3(3)

Footnote 1:  
(cont'd)

Table II: Collision Claims by Owners of Commercial Motor Vehicles (#) in 1961

Class	Number of Claims	Average Claim	Total Amount Claimed
\$ 25 deductible	141	\$ 255	36,016
\$ 50 deductible	1,077	282	304,136
\$100 deductible	2,566	502	1,287,577
\$250 deductible	415	1,066	442,199
Total	4,199	\$ 493	\$2,069,928

# Excluding buses, inter-urban trucks, and trucks "other than inter-urban on an earnings, receipt or payroll basis."

Table III: Collision Claims by Owners of Farmers' Private Passenger Cars

Total Number of Claims	Average Claim	Total Amount Claimed
2,816	\$333	\$937,237

Using Tables I - III above, together with comparable data for buses, inter-urban trucks, and trucks "other than inter-urban on an earnings, receipt or payroll basis", the average amount of collision claim by motor vehicle owners in 1961 was found to be \$324.31.



## Appendix 3(4)

Footnote 2: The estimate of 6,914 accidents for 1964 (assuming one claim per accident) was obtained as follows.

There were 2,593 motor vehicle accidents in Ontario during the six months January, March, May, July, September and November 1964, where property damage resulted from a collision between two or more motor vehicles, at least one of which was uninsured. There were 53,733 motor vehicle accidents of all types for the same period and 111,232 for the entire year. Thus the estimated number of accidents for the entire year 1964 of the same type as the 2,593 is:  $\frac{111,232}{53,733} \times 2,593 = 5,368$

Because there is doubt as to the accuracy of the insurance status which appears on the accident report form (i.e. some vehicles reportedly insured were later found to be uninsured at the time of the accident), this estimate must be adjusted by an "error correction factor". The latter was determined in the following manner.



## Appendix 3(5)

Footnote 2:  
(cont'd)

The results of a sample of the Motor Vehicle Accident Claims Fund Records, taken between April and June of 1965, are as follows:

<u>Class of Driver of Vehicle at Fault</u>	<u>Number</u>
1. Drivers from other jurisdictions	10
2. Hit and run	1
3. \$20.00 fee paid	318
4. Car stolen or taken without consent	32
5. Insurance cancelled or lapsed	140
6. Vehicles disposed of without a change in registration	108
7. No insurance coverage and no \$20 fee paid	17
	<hr/>
Tctal	626
	<hr/>

It was decided that "initial" (or unveri-  
fied) insurance status, as shown on the accident  
report form, could be ascertained from the fore-  
going categories. It should be noted that all  
of the above vehicles were in reality uninsured  
and were presumably involved in all types of  
accident.





## Appendix 3(6)

Footnote 2:  
(cont'd)

All the above categories except Category 5 were taken as indicative of initial uninsured status, Category 5 as indicating initial insured status. Thus, of the 626 uninsured vehicles, 140 (22.4%) were incorrectly reported on the accident report form as being insured. The remaining 486 were correctly reported as uninsured on the accident report form. Thus the "error correction factor" to be applied is:  $\frac{626}{486} = 1.288$

The required estimate is therefore:

$$5,368 \times 1.288 = 6,914$$

Footnote 3:

From a machine tabulation of 2,593 motor vehicle accidents in Ontario (occurring during the six months January, March, May, July, September and November, 1964) where property damage resulted from a collision between two or more motor vehicles - at least one of which was uninsured - a random sample of 100 was selected. The corresponding accident report forms were then examined by personnel of the Motor Vehicle Accident Claims Branch for the purpose of allocating fault. It was decided that the uninsured driver had been at fault in 66 per cent of these accidents.

Footnote 4:

The reason for adding \$109,600 is as follows. In 1961, there were in Ontario 839,212 passenger



Footnote 4:  
(cont'd)

cars insured against collision damage; in addition, there were 78,510 cars (9.4% of the first figure) carrying all perils insurance, including collision coverage. Included in the figure of \$1,855,698 shown in Appendix 3(1) is an amount of \$1,165,961 relating to passenger cars only. It is necessary to add 9.4% of the last amount to take account of passenger cars for which collision coverage was included in the insurance against all perils loss.



## Appendix 4(1)

ASSIGNED RISK PLAN, ONTARIO  
ANALYSIS OF RANDOM SAMPLE OF POLICIES FOR  
PASSENGER CARS ONLY, IN EFFECT DURING THE TWELVE-MONTH  
PERIOD OCTOBER 1, 1963 TO SEPTEMBER 30, 1964

<u>Plan A:</u>	<u>No.</u>	<u>Proportion</u>
<u>Risk Without Record:</u>		
(No Surcharge)	175	17%
 <u>Plan B:</u>		
<u>Risk With Record:</u>		
(1) Minor Record (No Surcharge)	425	42%
(2) More Serious Record (Surcharge)	406	41%
	<hr/>	<hr/>
Total	1,006	100%
	<hr/> <hr/>	<hr/> <hr/>



## Appendix 4(2)

TABLE A: ASSIGNED RISK PLAN, ONTARIO  
ANALYSIS OF RANDOM SAMPLE OF POLICIES FOR PASSENGER CARS ONLY, IN  
EFFECT DURING THE TWELVE-MONTH PERIOD OCTOBER 1, 1963 TO SEPTEMBER 30, 1964  
DISTRIBUTED BY BASIC PREMIUM AND TOTAL PREMIUM

BASIC PREMIUM (\$)																					Surcharge & Non- Surcharge	Surcharge Only	
0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200			
0																							
10																							
20			(7)																				
30				(64)																			
40					(49)																		
50				2	2	(41)																	
60					9		(15)																
70					6	5		(45)															
80					4	11	2	3	(27)														
90					12	4	7	2		(23)													
100					9	12	4	7			(30)												
110					2	13	2	5	1			(39)											
120					2	14	5	4	3	2			(34)										
130					2	1	7	5	3					(44)									
140					1	1	13	4	3	2	1				(40)								
150					1	3	2	16	3	1	1	1	1			(24)							
160					1	1	1	2	3	1	1	4	1				(33)						
170					1	3	1	1	5			4		2				(22)					
180					1	4	2	3	1	1	1	1		1				(13)					
190					1		1	1	1		1		1		5				(50)				
200									2		1	1	1			7							
210					1				1		1	1	1										
220							2			1	1	1	1	3									
230					1	3		1	1		1	1			1		1						
240						1		1	1		1	5		2		4		2	2				
250								2							1	2							
260							1		1		1		1				5						
270														1									
280																1							
290								1	1		2					1			3				
300										1													
310																							
320																							
330																							
340																							
350																							
360																							
370																							
380																							
390																							
400																							
410																							
420																							
430																							
440																							
450																							
570																							
580																							
590																							
600																							
610																							
620																							
630																							
640																							
650																							
Surcharge Non- Surcharge			7	66	104	114	65	106	52	33	43	62	40	57	49	40	52	33	20	63		1,006	
Surcharge Only				2	55	73	50	61	25	10	13	23	6	13	9	16	19	11	7	13			406

In the great majority of cases where there was a surcharge, a filing fee of \$10.00 was levied in addition.

The numbers in brackets denote policies ('Risk without Record' or other) where the total and basic premiums were found equal.





TABLE B:

ASSIGNED RISK PLAN, ONTARIO

ANALYSIS OF RANDOM SAMPLE OF POLICIES FOR PASSENGER CARS ONLY, IN  
EFFECT DURING THE TWELVE-MONTH PERIOD OCTOBER 1, 1963 TO SEPTEMBER 30, 1964  
DISTRIBUTED BY BASIC PREMIUM AND PER CENT SURCHARGE (ON BASIC PREMIUM).

Basic Premium \$		SURCHARGE (PER CENT)																												Total									
		20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	290		300	310	320	330	340	350	440		
30.00-39.99				1	1																																	2	
40.00-49.99	2		4	9		5			17	1	4		4	2				1		1					1	1									2			55	
50.00-59.99	1	2	7	8	1	6		1	32		3	1	2	1				2		2				1	1		1											73	
60.00-69.99	1		3	8	2	1	3		22		2				3	1		1		1							1											50	
70.00-79.99	4	1	4	7		7		3	20	1	2	1			2		1		3						1									1				61	
80.00-89.99								2	1	6						2								1														25	
90.00-99.99									3										2																			10	
100.00-109.99	2		1	2		1		1	2	1	1		1				1																					13	
110.00-119.99	1	2	1	6		2			5	1		1	1						2			1																23	
120.00-129.99	1	1	1			1													1																			6	
130.00-139.99	2		3	1	1	2			1						1																							13	
140.00-149.99	1	1	2	3												1																				1			9
150.00-159.99	5		4	3			1	1	1										1							1												16	
160.00-169.99	7		1	5		1			2		1		1			1																							19
170.00-179.99	1		5	1		2		1	1											1																			11
180.00-189.99	2						1		2																														7
190.00-199.99	2	2	3					1	1	2																													13
Total	32	10	42	61	6	30	8	9	116	5	16	4	9	9	3	4	4	4	13	1	1	1	3	1	1	2	2	-	3	1	-	1	2	1			1 406		
Cumulative %	7.9	10.4	20.7	35.7	37.2	44.6	46.6	48.8	77.4	78.6	82.5	83.5	85.7	87.9	88.6	89.6	90.6	91.6	94.8	95.1	95.4	95.7	96.4	96.7	97.0	97.5	98.0	-	98.7	98.9	-	99.1	99.6	99.8			100.0		

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